



Historic Tax Credits Fact Sheet

Historic Tax Credits are used by business and homeowners who own historic properties listed in the National Register of Historic Places to preserve their buildings within defined guidelines. The tax credits are taken after the projects are completed when the owners file their taxes. No state monies are used upfront for these credits, but rather owners pay less at the time taxes are due.

Historic Tax Credits have been used in 90 out of N.C.'s 100 counties, in both rural and urban areas. They boost local economies and create jobs, while preserving communities' historic cores and our state's priceless historic character. N.C.'s Historic Tax Credits ended on December 31, 2014.

WHERE / WHAT

- The historic tax credit program provides an incentive to taxpayers who contribute to the preservation of historic buildings by rehabilitating them in a way that preserves the historic character of the building while allowing for new uses.
- Since 1998, over 2,400 (2,484) historic tax credit projects have been completed statewide bringing over \$ 1.6 billion (\$1.677 billion) of private investment into North Carolina communities, boosting local economies and creating jobs, while preserving communities' historic cores and our state's priceless historic character.
- HTC projects have taken place in 90 of North Carolina's 100 counties, from rural to suburban to urban communities.
- Eligibility for this program is limited only to those historic properties listed in the National Register of Historic Places. The continued potential for rehabilitation projects is great, and the potential for loss of these buildings without this incentive is likewise great.

COMMUNITY DEVELOPMENT

- Non-economic impacts of the HTC incentive program include quality of life enhancements, such as the reuse of iconic neighborhood schools, downtown revitalization and affordable housing.
- Cultural and heritage tourism thrive with the private preservation of "authentic" North Carolina historic buildings. Heritage tourism is a vital industry and economic driver in North Carolina.
- Buildings rehabilitated with a historic tax credit are often landmark buildings in communities and vital to the community's identity and attractiveness to residents and visitors alike.
- Builds safe communities by reversing crime and blight - Local investment in rehabilitating vacant or dilapidated buildings gives criminals fewer places to engage in criminal activity – be it drug transactions, arson or vandalism – and decreases ugly blight by caring for buildings that would otherwise detract from neighborhood stability and property values.
- Improves the aesthetic appearance of communities - The architectural styles, craftsmanship, and material showcased by historic architecture is preserved for the aesthetic enhancement of communities. Many of these styles are "jewels" in terms of design, and would be hard, if not impossible, to build new.
- Provides a living "teaching tool" for the study of history - Without some tangible reminder of the past, history is difficult to grasp, particularly as that story is passed from generation to generation. Buildings can be among the most

valuable living teaching tools for understanding American and North Carolina history and remind us daily of what we were, who we are, and where we hope to be.

JOB CREATION / ECONOMIC DEVELOPMENT

- A non-partisan study of the state HTC program projects that the state historic rehabilitation tax credit would attract 2.5 times more jobs at the same cost to the state treasury as an equivalent across the board tax reduction. (McHugh, September 2013.)
- The economic impact of an HTC-driven project comes in the short-term through the construction stage and in the long-term through the operation of the businesses that locate in the newly rehabilitated historic building.
- The economic impact lasts long after the tax credits are exhausted (currently 5 to 9 years carryover for the North Carolina credit), with additional revenue generated back to the state general fund through withholding and income taxes (from construction workers and permanent on-site employees) and sales taxes (construction materials and on-site sales of goods).
- The HTC program incentivizes historic redevelopment in communities from large cities to small towns and rural areas. For example, the \$20.3 million privately funded, HTC-driven redevelopment of the former Golden Belt textile mill in Durham created 400 jobs; the building is now home to 80 commercial tenants, and 37 apartments. Twenty rehabbed historic buildings in downtown Mount Airy (population 10,000) host 42 businesses and 172 permanent full-time jobs.

TAX REVENUE (LOCAL AND STATE)

- HTC rehabilitations provide a direct net benefit to the state general fund. An HTC project is like an annuity investment for the state of North Carolina.
- HTC rehabilitations not only bring once vacant or underutilized buildings back to life, but also dramatically increase their property values and local property tax revenue from them. For Wake Forest BioTech Place in downtown Winston-Salem, once an RJ Reynolds tobacco warehouse, the property tax valuation went from \$3.7 million to \$59.4 million, a 16-fold increase. In North Wilkesboro, Wilkes Hosiery Mill (now 31 owner-occupied residential units) went from \$75,000 to \$8 million in valuation, a truly exponential increase.

COMPETITIVENESS / REAL ESTATE MARKET ISSUES

- The historic tax credit is well understood by banks and financial institutions. It is incorporated into property pro formas for redevelopment purposes, and is considered to be equity in a building that would otherwise have zero value pre-rehabilitation. There is no other less risky, more efficient way for the state to encourage re-investment into North Carolina's heritage buildings and historic cores than a state historic tax credit, which piggybacks onto the existing federal credit.
- Out-of-state investors have been attracted to North Carolina for this innovative program, particularly for reuse of abandoned manufacturing properties.
- Currently all of North Carolina's neighbors with a state income tax system have state historic tax credit programs, competitive with or exceeding what North Carolina offers. (Virginia consistently ranks in the top 2 states nationally for number of completed historic tax credit projects; South Carolina now offers dual historic and abandoned building tax credits.) Even states without state income tax offer a state historic tax credit program, most notably Texas through a transferable credit based on the state franchise tax.
- Given the greater expense of rehabilitating an older building with staying power versus building new construction, the historic tax credit evens the playing field cost-wise. Developers report that the federal tax credit is insufficient to make the numbers work otherwise for investing in historic buildings.